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Grain and Feed Annual

2011

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Report Highlights:
Production is forecast to rise to over 286 MMT in the EU27 for Market Year 2011/12 with planted grain area slightly up. If realized, this crop will be 10 MMT higher than the previous year but still 26 MMT below the record harvest of 2008. Rain is currently needed in the west, however, particularly in France, the UK, and Germany. The expectation is for relatively lower carryover stocks from MY2010/11 while internal EU27 demand is forecast slightly higher. Feed grain consumption is expected to marginally recover and industrial grain usage, predominantly in the bioethanol sector, will likely rise again. The ultimate size and quality of the EU27 harvest will remain in tight focus over the coming months given the attention on the exportable surplus, the weather, and the already tight stock situation.

Executive Summary:

Total grains EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	58,185	58,403	56,183	56,275		56,760
Beginning Stocks	39,733	39,733	41,170	41,687		27,608
Production	292,202	294,247	275,221	275,780		286,575
MY Imports	8,520	8,556	11,965	12,125		10,215
TY Imports	8,492	8,529	11,965	11,975		10,115
TY Imp. from U.S.	679	679	0	0		0
Total Supply	340,455	342,536	328,356	329,592		324,398
MY Exports	25,105	25,104	27,705	28,705		25,305
TY Exports	26,384	26,383	28,005	28,805		23,305
Feed and Residual	168,225	170,875	168,050	166,424		167,115
FSI Consumption	105,955	104,870	107,505	106,855		107,705
Total Consumption	274,180	275,745	275,555	273,279		274,820
Ending Stocks	41,170	41,687	25,096	27,608		24,273
Total Distribution	340,455	342,536	328,356	329,592		324,398
1000 HA, 1000 MT, MT/HA						

In 2011, EU27 farmers are expecting another sizeable grain harvest at just over 286.5 MMT. If realized, this will be larger than in MY2010/11 but still 26 MMT below the record crop of MY2008/09. With carryover stocks from MY2010/11 expected to be significantly down on previous years and demand, both within the EU27 and on third country export markets, forecast to be strong, there will be much focus on the crop as it develops over the coming months.

Wet weather in the east of the EU27, particularly in parts of Romania and Hungary (the latter suffering from standing water), and also in Portugal where flooding was reported, delayed and limited fall 2010 plantings. Elsewhere in the EU27, most notably in France and the UK, winter planting conditions were more favorable. Generally good over-wintering conditions across the EU27, with only Germany expressing any real concern, and a favorable start to spring plantings bode well for the upcoming harvest. A lack of rainfall in recent weeks has reduced otherwise improved soil moisture in western and northern Europe and reduced the efficiency of fertilizer applications. These moderate concerns are currently outweighed by the better crop outlook in the southern and southeastern parts of Europe but will need close monitoring. Of particular note is the good availability of water reserves reported in Spain and Portugal. Subsoil moisture is reported to be particularly good in Hungary, Romania and Bulgaria where crops are developing well. While winter plantings were somewhat delayed in Italy, and cool temperatures in March have delayed their spring plantings, expectations there remain strong for a good harvest. Despite the relatively upbeat outlook for the EU27 grain crop at this time, the weather over the coming weeks will be crucial for yield development. The focus on the recent unseasonably warm spell and the need for rain in France, the UK and Germany is symptomatic of the expectation that the EU27 grain balance will be very tight in MY2011/12. Any factors that might have a negative effect on yield or quality are attracting significant attention from the market, not least due to the impact this will have on the EU27's exportable grain surplus.

MY2010/11 is expected to see an increase in Food, Seed & Industrial (FSI) use of grain, due to increased grain use for renewable transportation fuels. Exports of wheat are also expected to rise, buoyed by French exports

which alone are expected to reach almost 14.5 MMT following reduced competition from the Black Sea (due to the Russian export ban and Ukrainian export quotas), meaning total grain exports are up on a year earlier. Total feed grain consumption is expected to decline due to substitution for other feed ingredients such as soybean meal and distillers dried grain but the reduced size of the 2010 harvest means the balance remains very tight. Specifically, carry out stocks at the end of the season are forecast to be less than 28MMT.

Forecast MY2011/12 EU27 grain production exceeds domestic consumption by 12 MMT. The rise in forecast FSI use due to increased industrial use in the biofuels sector, a marginal increase in forecast feed use and low stocks indicates the focus for MY2011/12 will be on trade and production. A small decline in third country imports, principally corn, is anticipated. Regarding exports, significant questions remain as to when and at what pace Russia and Ukraine will fully return to the market. While both are forecasting increased harvests this year, their export status remains more uncertain. EU27 grain is expected to be in demand given the tight global grain situation and exports are currently forecast to be more than 25MMT. If realized, this will mean a further reduction in stocks from their already low level. As such, there is little room in the balance should the current grain harvest forecast not be achieved.

Introduction

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2011/12. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU27 and is not official USDA data.

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HA = Hectares
MT = Metric Tonne
MY = Marketing Year. Post and USDA official data both follow the EU27 local marketing year of July to June except for corn which follows an October to September calendar.
TY = July to June for wheat and October to September for coarse grains.

Commodities:

Wheat

Wheat EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25,737	25,782	25,873	25,950		26,000
Beginning Stocks	18,969	18,969	15,883	15,940		10,690
Production	138,051	138,591	136,078	135,750		141,250
MY Imports	5,480	5,516	4,500	4,500		6,000
TY Imports	5,480	5,516	4,500	4,500		6,000
TY Imp. from U.S.	545	545	0	0		0
Total Supply	162,500	163,076	156,461	156,190		157,940
MY Exports	22,117	22,115	22,000	23,000		22,000
TY Exports	22,117	22,115	22,000	23,000		22,000
Feed and Residual	56,500	57,500	53,000	53,000		55,000
FSI Consumption	68,000	67,521	69,000	69,500		70,000
Total Consumption	124,500	125,021	122,000	122,500		125,000
Ending Stocks	15,883	15,940	12,461	10,690		10,940
Total Distribution	162,500	163,076	156,461	156,190		157,940
1000 HA, 1000 MT, MT/HA						

EU27 wheat production is currently forecast to rise to 141.25 MMT in MY2011/12, 9.5 MMT below the record harvest achieved in MY 2008/09. Despite a reduced planted area in Denmark, Italy, Portugal, the Czech Republic, Hungary and Romania, increases elsewhere mean the total area planted to wheat is slightly up on a year earlier at 26 Mha.

With the exception of Portugal, Hungary and Romania where wet conditions delayed or limited plantings, favorable conditions last fall were followed by generally good over-wintering conditions. Snow cover in many Member States and sustained cold conditions elsewhere in the EU27 limited damage to the crop. Germany, however, has expressed concern regarding the state of its wheat crop following a challenging winter. The past few weeks have seen dry weather in western and northern Europe reducing otherwise improved soil moisture. It is still reported to be generally good but the situation warrants close monitoring, especially in France, the UK and Germany where the dry weather is also reducing fertilizer efficiency. Having been afflicted by drought in the past, Spain is reporting excellent water reserves and increased sales of fertilizer, both of which bode well for yields. Its durum wheat area is down with substitution to soft wheat and sunflowers. Growing conditions in the

Baltic States are reported to be significantly improved. The improved prospects for wheat yields across the EU27 are the reason for the increased production forecast. The wheat yield is currently forecast 4 percent higher but with the EU27 entering a critical yield determining weather period, this could change. Any downward movement in yield expectations will be of real concern to the market given the tight outlook.

Total EU27 wheat consumption is forecast to increase 2 per cent in MY2011/12 to 125 MMT. This is a return to the level seen in MY2009/10, the intervening decline due entirely to a reduction in feed use of wheat. Although MY2011/12 is forecast to see some recovery in the feed use wheat number (at the expense of corn), it is the industrial use of wheat in the bioethanol sector that is providing underlining support to consumption demand. In MY2010/11 the rise of 2 MMT in FSI use was entirely due to increased use in the biofuels sector. In particular, a wheat-based bioethanol plant, capable of processing 1.1 MMT of wheat per year, opened in the UK in the latter part of MY2009/10; however, it is not yet running at full capacity. Another similar sized venture is scheduled to open in mid MY2011/12, although the project has been subject to a number of delays. Bioethanol production using wheat is also rising in the Benelux and France. In Spain, the three bioethanol plants that use grain as a feedstock are operating on corn and might shift to other grains such as wheat in MY2011/12. Overall, total EU27 FSI usage of wheat is forecast to rise by almost 1 MMT and continue to trend upwards.

MY2010/11 wheat imports are currently expected to reach 4.5 MMT, down on MY2009/10 due to the export quotas in place in Ukraine. Ukraine is a traditional supplier of feed wheat to Italy and Spain, the leading EU27 wheat importers. This situation has mainly provided support to imports of other grains although Italy is reported to have increased intra-EU27 imports of feed wheat from the likes of Hungary, Romania and Bulgaria. There have also been limited imports of low quality wheat from Australia, the lifting of import duties in the EU (see Policy section) being a contributory factor in this latter instance. The import volume is currently forecast to recover to 6 MMT in MY2011/12 with a presumed resumption in imports from Black Sea origins.

EU27 wheat exports are now expected to reach 23 MMT in MY2010/11, 1 MMT higher than previously suggested. In mid-April, with just under three months of the season to go, over 18 MMT of export licenses had already been granted. The EU27 exported a record 25 MMT of wheat in MY2008/09. This was followed by 22 MMT in MY2009/10. This season, the Russian export ban and restrictions on Ukrainian supplies have seen France, the EU27's primary wheat exporter, reporting a very strong pace of exports, mainly to its traditional markets in North Africa. The EU27's second largest exporter, Germany, has not fared as well on third country markets in MY2010/11 due to the reduced quality of its crop - two thirds of its wheat crop was harvested after the on-set of rains. Instead, it has exported large volumes of feed quality wheat to France to meet the latter's domestic requirement. Other exports of note have included early season wheat shipments from Romania and Bulgaria to the Philippines, South Korea, Bangladesh and Vietnam; traditionally EU27 Member States would be the main buyers. Latterly, rising domestic prices in Romania and Bulgaria have seen the export pace slow. The UK, whose exports have also seemingly defied its balance sheet, has even seen its first ever export to Turkey. The export situation has seen increased demand for EU27 imports of U.S. origin high quality wheat due to the shortage of milling quality wheat for intra-EU27 trade purposes. The export situation has become more uncertain in March and April following the political upheaval in North Africa and the Middle East but demand remains for EU27 wheat.

The forecast increase in EU27 wheat production for MY 2011/12 and tight global supply situation are expected to see the EU27 remaining a significant player on export markets next season. Wheat exports are forecast only

marginally lower than this season; however, the level of recovery in the German export number is again subject to quality considerations. While much could happen between now and harvest, the unknowns surrounding the availability of Black Sea origin wheat are already providing additional support to EU27 export prospects. Any reduction in the forecast MY2011/12 harvest volume will attract significant attention from the market given the focus on the EU27's exportable surplus.

The tightness of the EU27's MY2010/11 wheat balance, exacerbated by the large export number, means wheat carryover stocks are currently expected to decline to an all-time low. The similarly tight situation next season means little change in stocks is currently forecast for MY2011/12.

Commodities:

Barley

Barley EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,988	13,946	12,482	12,500		12,500
Beginning Stocks	10,916	10,916	15,363	15,374		7,974
Production	61,980	62,019	53,398	53,000		54,500
MY Imports	101	100	150	100		100
TY Imports	66	66	150	150		100
TY Imp. from U.S.	0	0	0	0		0
Total Supply	72,997	73,035	68,911	68,474		62,574
MY Exports	1,134	1,134	4,300	4,500		1,500
TY Exports	2,389	2,389	4,600	4,600		1,500
Feed and Residual	41,500	41,500	44,000	41,000		40,000
FSI Consumption	15,000	15,027	15,500	15,000		15,000
Total Consumption	56,500	56,527	59,500	56,000		55,000
Ending Stocks	15,363	15,374	5,111	7,974		6,074
Total Distribution	72,997	73,035	68,911	68,474		62,574
1000 HA, 1000 MT, MT/HA						

Although the total EU27 planted barley area is forecast unchanged, the EU27 barley crop in MY2011/12 is currently forecast up 1.5 MMT at 54.5 MMT due to a recovery in yield expectations. As compared to wheat, a larger proportion of the EU27 barley crop is spring sown so there are more unknowns at this time. While the winter area is down, sizeable spring plantings are expected. Additionally, the area is not static across the EU27. For example, the Spanish area is up at the expense of fallow land and an increase is also expected in Italy. Germany, on the other hand, sees a significantly reduced area due to a decline in malting barley demand, the effective closure of intervention and the preference to use the land for corn silage for biogas production. Romania, France and Bulgaria are also expected to have a reduced planted area to the benefit of corn plantings.

Total EU27 barley consumption, previously expected to rise in MY2010/11, is now expected to be marginally lower at 56 MMT. This is due to a downward revision of the previous estimates for both the feed use and

industrial use numbers. Although MY2010/11 is expected to see the release of all of the EU27's intervention stocks, this has indirectly buoyed third country export supplies rather than feed. In many instances corn, be it domestic or imported, has displaced feed barley. Feed use in MY2011/12 is also forecast down, largely due to the increased availability of oil meals. FSI use of barley is now seen unchanged in MY2010/11 and MY2011/12.

MY2010/11 EU27 barley exports are currently expected to reach 4.5 MMT making the EU27 the world's largest exporter of barley this season. Up to mid-April, 3.9 MMT of export licenses had been granted. Of particular note have been Danish exports to Saudi Arabia. However, the recent decision on the part of the latter's Government to increase the price of imported barley on the domestic market is expected to temper this trade. Germany has also seen exports increase to Saudi Arabia while Bulgaria has seen exports increase to a number of traditionally Black Sea destinations. While some continuation in the Saudi Arabian trade is forecast for MY2011/12, total exports are forecast to fall to 1.5MMT as the EU27 loses market share in other markets to traditional exporters.

By the end of MY2010/11, all intervention stocks are expected to have been cleared. With private stocks also down, total ending stocks are expected to be just 8 MMT, 7 MMT down on a year earlier (including 5 MMT of intervention stocks). The tight balance in MY2011/12 means a further decline in ending stocks.

Commodities:

Corn

Corn EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,301	8,284	8,055	8,000		8,600
Beginning Stocks	6,149	6,149	4,708	5,090		5,090
Production	57,147	57,281	55,193	55,500		59,250
MY Imports	2,931	2,930	6,500	6,500		4,000
TY Imports	2,931	2,930	6,500	6,500		4,000
TY Imp. from U.S.	132	132	0	0		0
Total Supply	66,227	66,360	66,401	67,090		68,340
MY Exports	1,519	1,520	1,000	1,000		1,100
TY Exports	1,519	1,520	1,000	1,000		1,100
Feed and Residual	45,000	45,000	45,500	46,250		48,000
FSI Consumption	15,000	14,750	15,000	14,750		15,150
Total Consumption	60,000	59,750	60,500	61,000		63,150
Ending Stocks	4,708	5,090	4,901	5,090		4,090
Total Distribution	66,227	66,360	66,401	67,090		68,340
1000 HA, 1000 MT, MT/HA						

Corn production in MY2010/11 was down due to a combination of factors, principally a price driven reduction in the planted area in the likes of France, Spain, Hungary, Greece and Romania, exacerbated by poor yields over much of the EU27 with the exception of Romania and Bulgaria. The outlook for MY 2011/12 suggests a 7.5 per cent rise in the planted area to 8.6 Mha. Production is forecast to rise nearly 4MMT to over 59MMT. Above

average plantings in Spain due to the good prices and water availability is further supported by forecast production increases in Germany, France, the Benelux, Austria, Hungary, Italy, Poland and the Czech Republic.

Despite a recent decline in corn's price competiveness slowing the import pace, feed demand for corn in MY 2010/11, particularly in Spain, thus far this season has been such that imports are expected to reach 6.5MMT. Within this total, corn export commitments from the U.S. already amount to 400,000 MT, the highest in over a decade and likely spurred by the EU's cumulative approvals of several U.S. biotech varieties. On a related matter, the market is closely watching for any impact due to the presence of the biotech event MIR162 in the Brazilian new crop, available as of April. Although the EU approval process is underway, MIR162 is not yet authorized for commercial use in the EU. In addition, the EU has yet to pass the agreed legislation which will allow the presence of up to 0.1 per cent unapproved biotech varieties in imported feed grains. Together, these are creating uncertainties for South American imports looking forward. Import demand for corn in MY2011/12 is forecast at 4 MMT, down due to an expectation of increased wheat availability and the aforementioned possible biotech-related limitations on corn imports.

Demand for corn in the FSI sector is expected unchanged in MY2010/11 whereas feed consumption is expected up. MY2011/12 is forecast to see increases in both sectors. FSI use is forecast to rise 400,000 MT due to increased usage in the starch sector and for bioethanol production, principally in Hungary, and biogas production in Germany. Demand for animal feed in MY2011/12 is forecast almost 2MMT up at 48MMT, reflecting the larger crop and an expected increase in on-farm feeding.

Commodities:

Rye

Rye EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,700	2,781	2,582	2,550		2,550
Beginning Stocks	1,424	1,424	1,763	1,712		1,282
Production	9,388	9,918	7,747	8,000		8,200
MY Imports	0	1	10	20		10
TY Imports	6	8	10	20		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	10,812	11,343	9,520	9,732		9,492
MY Exports	99	99	100	100		100
TY Exports	136	136	100	100		100
Feed and Residual	4,000	4,800	3,750	3,600		3,300
FSI Consumption	4,950	4,732	5,000	4,750		4,750
Total Consumption	8,950	9,532	8,750	8,350		8,050
Ending Stocks	1,763	1,712	670	1,282		1,342
Total Distribution	10,812	11,343	9,520	9,732		9,492
1000 HA, 1000 MT, MT/HA						

Rye is predominantly planted to less fertile sandy regions. The main producing and consuming countries for rye in the EU27 are Germany and Poland, accounting for about three quarters of the total EU27 rye market. Growing conditions in 2011 are reported to be favorable and with the planted area unchanged on last year, MY2011/12 rye production is forecast up 200,000 MT at 8.2 MMT due to a slight rebound in forecast yield.

Almost half of the rye production is used in animal feeds. FSI use has been rising slowly but steadily year-on-year as a growing share of rye is converted into bioethanol, mainly in Germany. Also, an increasing portion of the rye crop is used in the form of rye-whole-plant silage in biogas digesters for which consumption numbers are not available. Higher grain prices in MY2010/11 have been a limiting factor but almost 1.6 MMT of rye was used for fuels and energy production. MY2011/12 is forecast to see FSI use unchanged at the expense of feed use.

Commodities:

Sorghum

Sorghum EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	119	119	117	115		130
Beginning Stocks	34	34	18	24		20
Production	615	620	617	630		725
MY Imports	6	7	800	1,000		100
TY Imports	7	7	800	1,000		100
TY Imp. from U.S.	2	2	0	0		0
Total Supply	655	661	1,435	1,654		845
MY Exports	7	7	5	5		5
TY Exports	7	7	5	5		5
Feed and Residual	625	625	1,400	1,624		815
FSI Consumption	5	5	5	5		5
Total Consumption	630	630	1,405	1,629		820
Ending Stocks	18	24	25	20		20
Total Distribution	655	661	1,435	1,654		845
1000 HA, 1000 MT, MT/HA						

MY2007/08 saw significant interest in the sorghum market when tight supplies of feed grains saw EU27 importers - mainly in Spain, the Benelux and France – dramatically increase their purchases of mainly U.S. sorghum to nearly 6 MMT. The situation is less dramatic in MY2010/11 but imports have again risen on the back of tight feed grain supplies. Another limiting factor this time around is that feed compounders learned from the MY2007/08 experience (when the movements in grain prices saw their margins significantly eroded) and are reportedly reluctant to cover their needs for more than two months in advance. At mid-April nearly 800,000 MT of import licenses had been granted for sorghum and 1 MMT is currently expected to be imported over the season as a whole. By far the largest recipient of these mostly U.S. origin shipments is Spain although France, Italy and the Netherlands have also reported small import volumes and Germany imported some 65,000 MT from Argentina.

Commodities:
Oats

Oats EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,902	2,798	2,738	2,660		2,580
Beginning Stocks	972	972	1,150	1,216		921
Production	8,505	8,356	7,598	7,250		7,450
MY Imports	2	2	5	5		5
TY Imports	2	2	5	5		5
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,479	9,330	8,753	8,471		8,376
MY Exports	229	229	300	100		100
TY Exports	216	216	300	100		100
Feed and Residual	6,300	6,250	5,900	5,800		5,850
FSI Consumption	1,800	1,635	1,800	1,650		1,600
Total Consumption	8,100	7,885	7,700	7,450		7,450
Ending Stocks	1,150	1,216	753	921		826
Total Distribution	9,479	9,330	8,753	8,471		8,376
1000 HA, 1000 MT, MT/HA						

The four main producers of oats in the EU27 are Poland, Finland, Spain and Germany accounting for 50 percent of the production. The importance of oats is diminishing in EU27 grain production although the organic industry still has an interest in this grain for crop rotation purposes and growing demand for food and feed use. Non-organic farmers are gradually reducing their oats area such that the total production area is in decline. As with other grains, yield was significantly lower in MY2010/11, exacerbating this decline in production. Consequently, while the area is again forecast lower in MY2011/12, production is forecast slightly up at 7.45 MMT.

Trade in oats is almost exclusively intra-EU with the minor export volume to non-EU27 countries originating from Finland and Sweden. This is expected down in MY 2010/11 – the U.S. has traditionally been the largest market for horse feed but the financial crisis is apparently making it hard to find buyers – although in a rare development, Ukraine is reported to be considering a small purchase from Poland. Little recovery is seen in MY2011/12.

Total annual food use is consistently around 1.6 MMT. A small portion of less than 100,000 MT is used for the production of bioethanol and biogas. The rest is fed to animals, a forecast 5.85 MMT in MY2011/12.

Commodities:
Mixed Grain

Mixed Grain EU-27	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,438	4,693	4,336	4,500		4,400
Beginning Stocks	1,269	1,269	2,285	2,331		1,631
Production	16,516	17,462	14,590	15,650		15,200
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	17,785	18,731	16,875	17,981		16,831
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	14,300	15,200	14,500	15,150		14,150
FSI Consumption	1,200	1,200	1,200	1,200		1,200
Total Consumption	15,500	16,400	15,700	16,350		15,350
Ending Stocks	2,285	2,331	1,175	1,631		1,481
Total Distribution	17,785	18,731	16,875	17,981		16,831
1000 HA, 1000 MT, MT/HA						

Mixed grain numbers include triticale and the threshed, dry seeds of wheat, barley, corn, oats, rye and sorghum grown and harvested in the same field. The main producing countries are Poland, Germany and France, together accounting for 85 per cent of the production. MY2011/12 is forecast to see production fall 450,000 MT to 15.2 MMT with most of this reduction being in Poland. Triticale is almost exclusively used in animal feeding. However, a growing portion of triticale is used in bioethanol and biogas production in Germany and Poland, accounting for an estimated total of about 450,000 MT. The large build up in stocks in MY2009/10, principally in Poland, has been fed in MY2010/11 given the tight feed grain situation. While a further decline in stocks is forecast for MY2011/12, there will necessarily be less mixed grain available for feed which is forecast to decline 1 MMT to 14.15 MMT.

Policy:

Imports

The EU limits the entry of lower priced grains from third countries by means of a system of import duties and quotas.

Duties are fixed on the basis of the difference between the effective EU intervention price for grains multiplied by 1.55 and a representative cost added to insurance and freight (cif) prices for grains in Rotterdam. The European Commission has chosen to use different reference grain categories to determine the representative cif price. The reference categories are durum wheat, corn, other feed grains including sorghum and high quality wheat. A reference standard grain has been chosen in order to determine the level of duty applicable to imports of each of

the reference categories. These are U.S. grain varieties with prices quoted from representative markets in the United States. The representative cif import price for each grain is calculated as its reference price on the quoted market plus the cost of freight to a U.S. export port, either U.S. Gulf or Duluth, plus the cost of freight between U.S. Gulf or Duluth and Rotterdam. This price is converted into Euros from US$ at the daily exchange rate. If the calculation results in the calculated U.S. price being lower, then the duty would be equal to the difference.

The duty resulting from the calculation has been set at Euro 0 per metric ton (MT) for durum wheat and high quality wheat since the beginning of the current 2010/11 marketing year which is July 1 to June 30 for all grains and grain products. The duty for corn has been set at Euro 0 per MT since August 17, 2010 and the duty for sorghum and rye at Euro 0 per MT since October 19, 2010.

For other grains, the EU has established a number of Tariff Rate Quotas. For low and medium quality soft wheat, there is an annual Tariff Rate Quota of 2,989,240 MT from all sources. Within this overall volume, there is a country specific quota of 572,000 MT for imports originating in the United States. The remaining 2,378,387 MT is split into four equal tranches of 594,597 MT, one of which is open each quarter to non-EU27 countries. There is an annual Tariff Rate Quota of 306,215 MT for feed barley from all sources.

Normally, duties apply to grains imported within quota: low and medium quality soft wheat is Euro 12 per MT and feed barley Euro 16 per MT. However, on February 17, 2011 the European Commission's Cereals Management Committee voted to suspend import duties on low and medium quality soft wheat and feed barley imported within quota into the EU from February 28, 2011 until the end of June 2011. Transport time will be taken into account to allow traders with shipments en route to take advantage of the duty suspension. As long as transport is underway by June 30, 2011, traders will be allowed to release the grains for free circulation under the duty suspension scheme. After that date, the tariff rates of Euro 12 per MT for low and medium quality soft wheat and Euro 16 per MT for feed barley will apply.

'Abatimento'

The accession of Spain to the EU and the introduction of common tariff barriers resulted in imports from non-EU countries losing competitiveness. An agreement between the EU and the United States allows for the importation of a fixed quantity of non-EU corn and sorghum at a preferential import duty to compensate the United States for the loss of its Spanish markets. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum.

The EU also operates a reduced tariff import quota of 500,000 MT of corn into Portugal with a maximum tariff of Euro 50 per MT. Amounts are reduced by any quantity of grain substitutes, such as starch residues and citrus pulp, imported in the same year. Flint maize is not permitted to be included within the concession.

Following the 2004 enlargement of the EU and a subsequent agreement between the EU and the United States, the EU opened an annual duty-free tariff quota of 242,074 MT for imports of corn from non-EU countries – the quota has been available since July 2006.

Exports

The European Commission provides refunds which enable EU exporters to compete on the lower priced world market. Refunds may also be fixed by tender. The EU agreed to phase out export subsidies by 2013. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

Intervention mechanism

Selling into intervention at the grains intervention price of Euro 101.30 per MT is meant to be the last market resort for farmers and traders who are unable to obtain a higher price on the free market.

Guaranteed intervention quantities have been reduced to 0 MT for corn from MY 2009/10, durum wheat from MY 2009/10, barley from MY 2010/11, sorghum from MY 2010/11, and rice from MY 2009/10. Intervention was abolished for rye with effect from MY 2004/05. By reducing the intervention quantity to 0, the EU has the right to reintroduce intervention if the market situation merits. A guaranteed intervention quantity of 3 million MT at the intervention price applies to soft wheat with effect from MY 2010/11, beyond which intervention may be made through tenders. Those intervention quantities which have been reduced to 0 MT are done so unless the market situation requires public intervention. With effect from MY 2010/11, tendering procedures have been introduced for barley, corn and sorghum.

Interventions of grain are made between November 1 to May 31 for common wheat, barley, corn, sorghum and durum wheat.

Grain held in intervention stores is disposed of mainly through sale by tender onto the domestic market or for export, although a proportion is released for the most deprived people in the EU.

Special support measures

Special measures in addition to intervention may also be taken to support the market for grains in time of crisis. These measures would take place on an ad hoc basis and be decided by the European Commission and its Management Committee. The transfer of grains between regions of the EU to relieve pressure is possible. For example, grain has been released occasionally from intervention to relieve animal feed shortages in drought-hit regions of the EU.

Biotechnology

There are now two biotech products approved for cultivation in the European Union. First, the MON810 corn, which has been approved during the past ten years and for which approval is currently subject to renewal, has been planted on approximately 100,000 hectares (ha) since 2005. In 2010, its acreage is estimated at 96,000 ha, spread over six Member States, including Spain, the Czech Republic, Portugal, Poland, Slovakia, and Romania. Second, the Amflora starch potato was approved for cultivation in March 2010, and is estimated to be grown on about 225 ha in the Czech Republic, Sweden, and Germany in 2010.

Factors discouraging European farmers to grow biotech crops include (1) public field registers with the location of biotech crops commercially grown are compulsory in most Member States; (2) national cultivation bans present in six Member States, Austria, France, Germany, Greece, Luxemburg, and Hungary; (3) stringent coexistence measures in place at the national level in Belgium, the Czech Republic, Germany, Hungary, Portugal, Romania, and Slovakia, and (4) threats by non-governmental organizations.

However, interest across EU farming groups in the use of plant biotechnology results from yield benefits and cost savings when growing these crops. In Poland and Romania, there is commercial cultivation of biotech crops despite the generally negative image of plant biotechnology.

For more information on biotechnology in the EU, see GAIN Report Number: FR 9043 'EU27 Biotechnology – GE Plant and Animal Annual'.